

VILLAGE OF DEERFIELD, MICHIGAN

FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 29, 2008

**WITH
INDEPENDENT AUDITORS' REPORT**

Auditing Procedures Report

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Issued under Public Act 2 of 1968, as amended.

Unit Name	VILLAGE OF DEERFIELD	County	LENAWEE	Type	VILLAGE	MuniCode	
Opinion Date-Use Calendar	JUNE 23, 2008	Audit Submitted-Use Calendar	JUNE 26, 2008	Fiscal Year-Use Drop List	FEBRUARY 29, 2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/> 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> 5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> 6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> 12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/> 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> 18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text" value="\$302,371"/>
General Fund Expenditure:	<input type="text" value="\$350,843"/>
Major Fund Deficit Amount:	<input type="text" value="\$0.00"/>

General Fund Balance:	<input type="text" value="\$280,058"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text" value="-0-"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	GARY	Last Name	OWEN	Ten Digit License Number	1101008646				
CPA Street Address	121 N. MAIN ST.	City	ADRIAN	State	MI	Zip Code	49221	Telephone	5172656154
CPA Firm Name	ROBERTSON, EATON & OWEN P.C.	Unit's Street Address	121 N. MAIN ST.	City	ADRIAN	LU Zip	49221		

VILLAGE OF DEERFIELD, MICHIGAN

INDEPENDENT AUDITORS' REPORT

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VILLAGE OF DEERFIELD, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 29, 2008

As management of the Village of Deerfield, Michigan, we offer readers of the Village of Deerfield, Michigan's financial statements this narrative overview and analysis of the financial activities of the Village of Deerfield, Michigan for the fiscal year ended February 29, 2008. We encourage readers to consider the information presented here.

Financial Highlights

- ◆ The assets of the Village of Deerfield, Michigan exceeded its liabilities at the close of the most recent fiscal year \$3,549,238 (*net assets*). Of this amount, \$677,667 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The government's total net assets decreased \$43,655. This decrease is attributable to depreciation expense of \$96,853.
- ◆ As of the close of the current year, the Village of Deerfield, Michigan's governmental funds reported combined ending fund balances of \$435,470, a decrease of \$38,995 in comparison with the prior year.
- ◆ At the end of the current year, unreserved fund balance for the General Fund was \$280,058, or 80 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Deerfield, Michigan's basic financial statements. The Village of Deerfield, Michigan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Deerfield, Michigan's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village of Deerfield, Michigan's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village of Deerfield, Michigan is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Village of Deerfield, Michigan that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Deerfield, Michigan include general government, public safety, highways and streets, and culture and recreation. The business-type activities of the Village of Deerfield, Michigan include utility systems.

The government-wide financial statements can be found on page 3 – 5 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Deerfield, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Deerfield, Michigan can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village of Deerfield, Michigan maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Street Fund, and Local Street Fund, which are considered to be major funds.

The Village of Deerfield, Michigan adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for all governmental funds to demonstrate compliance with budget. The basic governmental fund financial statements can be found on pages 6 – 13 of this report.

Proprietary Fund. The Village of Deerfield, Michigan maintains two types of Proprietary Funds. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Deerfield, Michigan uses Enterprise Funds to account for its Water and Sewer Funds. The *Internal Service Fund* is an accounting fund used to acquire equipment. The Village of Deerfield, Michigan uses an Internal Service Fund (Equipment Replacement Fund) to account for the purchase of equipment. Because this service predominantly benefits governmental rather than a business-type function it has been included within *governmental activities* in the government-wide financial statements.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Funds, which are considered to be major funds of the Village of Deerfield, Michigan. The Internal Service Fund (Equipment Replacement Fund) is in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 14 – 18 of this report.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not available* to support the Village of Deerfield's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

The basic fiduciary fund financial statement can be found on page 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 – 33 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Deerfield, Michigan, assets exceeded liabilities by \$3,549,238 at the close of the most recent fiscal year.

By far the largest portion of the Village of Deerfield, Michigan's net assets (75 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village of Deerfield, Michigan uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village of Deerfield, Michigan's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Deerfield, Michigan's Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$ 513,955	\$ 462,179	\$ 976,134
Capital assets	<u>1,156,241</u>	<u>2,262,030</u>	<u>3,418,271</u>
Total assets	<u>\$ 1,670,196</u>	<u>\$ 2,724,209</u>	<u>\$ 4,394,405</u>
Current liabilities	\$ 22,637	\$ 38,018	\$ 60,655
Noncurrent liabilities	<u></u>	<u>784,512</u>	<u>784,512</u>
Total liabilities	<u>\$ 22,637</u>	<u>\$ 822,530</u>	<u>\$ 845,167</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 1,156,241	\$ 1,495,980	\$ 2,652,221
Restricted	219,350		219,350
Unrestricted	<u>271,968</u>	<u>405,699</u>	<u>677,667</u>
Total net assets	<u>\$ 1,647,559</u>	<u>\$ 1,901,679</u>	<u>\$ 3,549,238</u>

An additional portion of the Village of Deerfield, Michigan's net assets (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$677,667) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village of Deerfield, Michigan is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Financial Analysis of the Government's Funds

As noted earlier, the Village of Deerfield, Michigan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village of Deerfield, Michigan's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village of Deerfield, Michigan's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of this fiscal year.

As of the end of the current fiscal year, the Village of Deerfield, Michigan's governmental funds reported combined ending fund balances of \$435,470, a decrease of \$38,995 in comparison with the prior year. Special Revenue Funds have \$155,412 available for their special uses.

The General Fund is the chief operating fund of the Village of Deerfield, Michigan. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$280,058.

The fund balance of the Village of Deerfield, Michigan's General Fund decreased by \$61,472 during the current fiscal year. Key factors in this increase were the level of property tax and State revenues.

Proprietary Fund - The Village of Deerfield, Michigan's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the utility funds at the end of the year amounted to \$405,699. The total increase in net assets for the funds was \$36,065.

General Fund Budgetary Highlights

The (\$1,875) variance in the Attorney Budget was for payment due to problems in our Building Inspection Department. Due to a misprint in the Village Tax bills, some were overpaid and were refunded. The Village was also responsible for a share of a new software program installed by Lenawee County for the Tax Department program. These items amounted to (\$2,175) expenditure in the Treasurer's Budget. A donation to the Deerfield Recreation program was the (\$1,000) variance in the Community Service Budget. (\$8,223) variance in the Park Budget was due to resurfacing our Tennis Court.

Capital Asset and Debt Administration

Capital assets. The Village of Deerfield, Michigan's investment in capital assets for its governmental and business-type activities as of February 29, 2008, amounts to \$3,418,271 (net of accumulated depreciation). This investment in capital assets includes land, buildings and utility systems, equipment, and roads. The total decrease in the Village of Deerfield, Michigan's investment in capital assets for the current fiscal year was 2% (a 5% decrease for governmental activities and a 0.8% percent decrease for business-type activities).

Village of Deerfield, Michigan's Capital Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 24,625	\$ 16,871	\$ 41,496
Land improvements	13,161		13,161
Buildings	144,064		144,064
Equipment and furnishings	57,172		57,172
Vehicles	66,564		66,564
Infrastructure	850,655		850,655
Water system		1,141,168	1,141,168
Sewer system		1,103,991	1,103,991
Total	<u>\$ 1,156,241</u>	<u>\$ 2,262,030</u>	<u>\$ 3,418,271</u>

Additional information on the Village of Deerfield's capital assets can be found in Note 3. C. on pages 27 and 28.

Long-term debt. At the end of the current fiscal year, the Village of Deerfield, Michigan had total bonded debt outstanding of \$766,050 which is backed by the full faith and credit of the government.

Additional information on the Village of Deerfield, Michigan's long-term debt can be found in Note 5 on pages 32 and 33 of this report.

Economic Factors and Next Year's Budgets and Rates

The Village Council has increased our Police Budget due to increased costs relating to gasoline, etc. Also the Street lighting budget has been increased as has the electric budget and also fringe benefits for the employees due to higher costs due to the economy. Roadwork and equipment usage in the Major and Local Street funds have been increased due to the increased cost of gasoline. Snow removal will be more costly which has added additional funding for this portion of our Village Budget. Operating supplies budget has been increased due to the surcharge that has now routinely been applied to deliveries to the Water and Sewer Plants for chemicals, etc. The Village will be trying to be prudent in our spending during the 2008-09 Fiscal Year due to the increased costs to the residents.

Requests for Information

This financial report is designed to provide a general overview of the Village of Deerfield, Michigan's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village of Deerfield, 101 West River Street, Deerfield, Michigan 49238.

June 23, 2008

INDEPENDENT AUDITORS' REPORT

Village Council
Village of Deerfield
Deerfield, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Deerfield, Michigan, as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Deerfield, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America.. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Deerfield, Michigan, as of February 29, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Page 2

June 23, 2008

Village Council
Village of Deerfield
Deerfield, Michigan

The management's discussion and analysis on pages i through vi is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Robertson, Eaton & Owen, P.C.

VILLAGE OF DEERFIELD, MICHIGAN

STATEMENT OF NET ASSETS

February 29, 2008

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 475,438	\$ 360,002	\$ 835,440
Investments	723		723
Receivables:			
Taxes	18,442		18,442
Accounts		93,837	93,837
Prepaid supplies		7,348	7,348
Internal balances			
Due from State	8,618		8,618
Due from Fiduciary Funds	10,734	(25,782)	(15,048)
Deposits		1,300	1,300
Restricted assets:			
Bond and interest redemption		25,474	25,474
Capital assets:			
Land	24,625		24,625
Land improvements	37,603		37,603
Buildings	229,889		229,889
Equipment, furniture and fixtures	163,347		163,347
Vehicles	146,631		146,631
Infrastructure – roads	2,058,304		2,058,304
Sewer system		1,746,357	1,746,357
Water system		1,948,585	1,948,585
Less: Accumulated depreciation	<u>(1,504,158)</u>	<u>(1,432,912)</u>	<u>(2,937,070)</u>
Total assets	<u>\$ 1,670,196</u>	<u>\$ 2,724,209</u>	<u>\$ 4,394,405</u>
LIABILITIES:			
Accounts payable	\$ 14,547	\$ 21,556	\$ 36,103
Accrued sick pay	8,090	7,655	15,745
Liabilities payable from restricted assets		8,807	8,807
Noncurrent assets:			
Due within one year		40,000	40,000
Due in more than one year		<u>744,512</u>	<u>744,512</u>
Total liabilities	<u>22,637</u>	<u>822,530</u>	<u>845,167</u>
NET ASSETS:			
Invested in capital assets, net of related debt	1,156,241	1,495,980	2,652,221
Restricted for:			
Highways and streets	155,412		155,412
Equipment replacement	63,938		63,938
Unrestricted	<u>271,968</u>	<u>405,699</u>	<u>677,667</u>
Total net assets	<u>\$ 1,647,559</u>	<u>\$ 1,901,679</u>	<u>\$ 3,349,238</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended February 29, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 252,292	\$	\$	\$
Public safety	50,379	2,560		
Culture and recreation	26,842			
Streets	122,830	21,589		
Other	<u>33,887</u>			
Total governmental activities	<u>486,230</u>	<u>24,149</u>	<u>-</u>	<u>-</u>
Business-Type Activities:				
Water system	220,525	219,087		
Sewer system	<u>136,376</u>	<u>169,944</u>		
	<u>356,901</u>	<u>389,031</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 843,131</u>	<u>\$ 413,180</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Property taxes
Intergovernmental – State
Unrestricted investment earnings
Miscellaneous
Transfers

Total general revenues and transfers

Change in net assets

Net assets – beginning of year

Net assets – end of year

Net (Expense) Revenue and Changes in Net Assets
Primary Government

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (252,292)	\$	\$ (252,292)
(47,819)		(47,819)
(26,842)		(26,842)
(101,241)		(101,241)
<u>(33,887)</u>		<u>(33,887)</u>
<u>(462,081)</u>	<u>-</u>	<u>(462,081)</u>
	(1,438)	(1,438)
	<u>33,568</u>	<u>33,568</u>
<u>-</u>	<u>32,130</u>	<u>32,130</u>
<u>\$ (462,081)</u>	<u>\$ 32,130</u>	<u>\$ (429,951)</u>
\$ 196,259	\$	\$ 196,259
161,833		161,833
12,742	11,935	24,677
3,527		3,527
<u>8,000</u>	<u>(8,000)</u>	
<u>382,361</u>	<u>3,935</u>	<u>386,296</u>
(79,720)	36,065	(43,655)
<u>1,727,279</u>	<u>1,865,614</u>	<u>3,592,893</u>
<u>\$ 1,647,559</u>	<u>\$ 1,901,679</u>	<u>\$ 3,549,238</u>

VILLAGE OF DEERFIELD, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUNDS

February 29, 2008

	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$ 241,151	\$ 68,321	\$ 102,028	\$ 411,500
Investments	723			723
Receivables:				
Taxes	16,849		1,593	18,442
Due from other funds	46,588			46,588
Due from State	<u> </u>	<u>8,618</u>	<u> </u>	<u>8,618</u>
Total assets	<u>\$ 305,311</u>	<u>\$ 76,939</u>	<u>\$ 103,621</u>	<u>\$ 485,871</u>
LIABILITIES:				
Accounts payable	\$ 14,547	\$	\$	\$ 14,547
Due to other funds	<u>10,706</u>	<u>16,331</u>	<u>8,817</u>	<u>35,854</u>
Total liabilities	<u>25,253</u>	<u>16,331</u>	<u>8,817</u>	<u>50,401</u>
FUND BALANCES:				
Unreserved, reported in:				
General Fund	280,058			280,058
Major Street		60,608		60,608
Local Street	<u> </u>	<u> </u>	<u>94,804</u>	<u>94,804</u>
Total fund balances	<u>280,058</u>	<u>60,608</u>	<u>94,804</u>	<u>435,470</u>
Total liabilities and fund balances	<u>\$ 305,311</u>	<u>\$ 76,939</u>	<u>\$ 103,621</u>	<u>\$ 485,871</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

February 29, 2008

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	\$ 1,156,241
Long-term portion of accrued sick and vacation pay liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(8,090)
Internal Service Fund (Equipment Replacement Fund) is used by the Village to purchase new equipment. The assets and liabilities of the Equipment Replace- ment Fund are included in governmental activities in the Statement of Net Assets.	<u>63,938</u>
Net differences	1,212,089
Total fund balance in governmental funds.	<u>435,470</u>
Total net assets of governmental activities	<u>\$ 1,647,559</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended February 29, 2008

	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 176,792	\$	\$ 19,467	\$ 196,259
Intergovernmental – State	91,268	56,266	14,299	161,833
Licenses and permits	3,192			3,192
Charges for services	21,589			21,589
Interest income	6,635	3,251	1,013	10,899
Miscellaneous	<u>2,895</u>			<u>2,895</u>
Total revenues	<u>302,371</u>	<u>59,517</u>	<u>34,779</u>	<u>396,667</u>
Expenditures:				
Current:				
General government	247,896			247,896
Public safety	50,427			50,427
Culture and recreation	18,633			18,633
Routine maintenance		33,326	19,501	52,827
Winter maintenance		10,490	8,502	18,992
Other	<u>33,887</u>			<u>33,887</u>
Total expenditures	<u>350,843</u>	<u>43,816</u>	<u>28,003</u>	<u>422,662</u>
Excess of revenues over expenditures	(48,472)	15,701	6,776	(25,995)
Other financing uses:				
Transfers out	<u>(13,000)</u>			<u>(13,000)</u>
Net changes in fund balances	(61,472)	15,701	6,776	(38,995)
Fund balances – beginning of year	<u>341,530</u>	<u>44,907</u>	<u>88,028</u>	<u>474,465</u>
Fund balances – end of year	<u>\$ 280,058</u>	<u>\$ 60,608</u>	<u>\$ 94,804</u>	<u>\$ 435,470</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended February 29, 2008

Amounts reported for governmental activities in the Statement of
Activities are different because:

Net change in fund balance – total governmental funds	\$ (38,995)
Government funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays was less than depreciation in the current period. (Total depreciation \$64,053 less total capital outlays \$-0-).	(64,053)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds – Accrued long-term sick and vacation pay – net effect	485
Internal Service Fund (Equipment Replacement Fund) is used by the Village to purchase new equipment. The net income of this activity is reported with with governmental activities.	<u>22,843</u>
Change in net assets in governmental activities	<u>\$ (79,720)</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended February 29, 2008

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Property taxes	\$ 190,000	\$ 176,792	\$ (13,208)
Intergovernmental revenues:			
State shared revenues	96,000	91,268	(4,732)
Licenses and permits:			
Building permits	1,700	2,560	860
Liquor licenses	675	632	(43)
Charges for services:			
Charges for Major Street	13,500	14,133	633
Charges for Local Street	7,500	7,456	(44)
Interest income	6,300	6,635	335
Miscellaneous/refunds and rebates	<u> </u>	<u>2,895</u>	<u>2,895</u>
Total revenues	<u>315,675</u>	<u>302,371</u>	<u>(13,304)</u>
Expenditures:			
General Government:			
Legislative	10,801	10,820	(19)
Executive	7,518	5,780	1,738
Attorney	3,000	4,875	(1,875)
Clerk	19,778	16,251	3,527
Accounting	3,000	2,995	5
Treasurer	3,445	5,620	(2,175)
Village Hall	9,300	6,314	2,986
Planning - Zoning Commission	1,384	185	1,199
Village property	<u>266,466</u>	<u>195,056</u>	<u>71,410</u>
Total General Government	<u>324,692</u>	<u>247,896</u>	<u>76,796</u>
Public Safety:			
Police Department	39,728	36,275	3,453
Protective inspections	5,679	2,612	3,067
Street lights	<u>14,000</u>	<u>11,540</u>	<u>2,460</u>
Total Public Safety	<u>59,407</u>	<u>50,427</u>	<u>8,980</u>
Total expenditures carried forward	<u>384,099</u>	<u>298,323</u>	<u>85,776</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended February 29, 2008

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Total expenditures carried forward	\$ 384,099	\$ 298,323	\$ 85,776
Culture and Recreation:			
Community service	2,100	3,100	(1,000)
Recreation – parks	6,312	14,535	(8,223)
Library	<u>1,275</u>	<u>998</u>	<u>277</u>
Total Culture and Recreation	<u>9,687</u>	<u>18,633</u>	<u>(8,946)</u>
Other:			
Insurance	27,500	25,931	1,569
Worker's Compensation Insurance	<u>8,000</u>	<u>7,956</u>	<u>44</u>
Total Other	<u>35,500</u>	<u>33,887</u>	<u>1,613</u>
Total expenditures	<u>429,286</u>	<u>350,843</u>	<u>78,443</u>
Excess of revenues over expenditures	(113,611)	(48,472)	65,139
Other financing uses:			
Transfers out	<u>(13,000)</u>	<u>(13,000)</u>	
Net change in fund balance	(126,611)	(61,472)	65,139
Fund balance – beginning of year		<u>341,530</u>	
Fund balance – end of year		<u>\$ 280,058</u>	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

MAJOR STREET FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL

For the Year Ended February 29, 2008

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Intergovernmental revenues	\$ 56,000	\$ 56,266	\$ 266
Interest income	<u>1,000</u>	<u>3,251</u>	<u>2,251</u>
Total revenues	<u>57,000</u>	<u>59,517</u>	<u>2,517</u>
Expenditures:			
Routine maintenance	24,773	33,326	(8,553)
Winter maintenance	<u>7,446</u>	<u>10,490</u>	<u>(3,044)</u>
Total expenditures	<u>32,219</u>	<u>43,816</u>	<u>(11,597)</u>
Excess (deficiency) of revenues over (under) expenditures	24,781	15,701	(9080)
Fund balance – beginning of year		<u>44,907</u>	
Fund balance – end of year		<u>\$ 60,608</u>	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

LOCAL STREET FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL

For the Year Ended February 29, 2008

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Property taxes	\$ 20,000	\$ 19,467	\$ (533)
Intergovernmental revenues	17,500	14,299	(3,201)
Interest income	<u>200</u>	<u>1,013</u>	<u>813</u>
Total revenues	<u>37,700</u>	<u>34,779</u>	<u>(2,921)</u>
Expenditures:			
Routine maintenance	35,680	19,501	16,179
Winter maintenance	<u>8,084</u>	<u>8,502</u>	<u>(418)</u>
Total expenditures	<u>43,764</u>	<u>28,003</u>	<u>15,761</u>
Excess (deficiency) of revenues over (under) expenditures	(6,064)	6,776	12,840
Fund balance – beginning of year		<u>88,028</u>	
Fund balance – end of year		<u>\$ 94,804</u>	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

February 29, 2008

	Business-Type Activity Enterprise Fund			Internal Service Fund
	Water Fund	Sewer Fund	Totals (Memorandum Only)	Equipment Replacement Fund
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 255,020	\$ 104,982	\$ 360,002	\$ 63,938
Receivables:				
Water usage	51,141		51,141	
Sewer usage		42,696	42,696	
Prepaid supplies	5,228	2,120	7,348	
Deposits	<u>1,300</u>	<u></u>	<u>1,300</u>	<u></u>
Total current assets	<u>312,689</u>	<u>149,798</u>	<u>462,487</u>	<u>63,938</u>
Noncurrent assets:				
Restricted cash:				
Bond interest and redemption account	<u>25,474</u>	<u>-</u>	<u>25,474</u>	<u>-</u>
Capital assets:				
Water system	1,948,585		1,948,585	
Sewer system		1,746,357	1,746,357	
Less: Accumulated depreciation	<u>(807,417)</u>	<u>(625,495)</u>	<u>(1,432,912)</u>	<u></u>
Total capital assets – net	<u>1,141,168</u>	<u>1,120,862</u>	<u>2,262,030</u>	<u>-</u>
Total assets	<u>\$ 1,479,331</u>	<u>\$ 1,270,660</u>	<u>\$ 2,749,991</u>	<u>\$ 63,938</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

February 29, 2008

	Business-Type Activity Enterprise Fund			Internal Service Fund
	Water Fund	Sewer Fund	Totals (Memorandum Only)	Equipment Replacement Fund
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 13,925	\$ 7,631	\$ 21,556	\$
Due to other funds	17,509	8,273	25,782	
Accrued sick pay	<u>5,246</u>	<u>2,409</u>	<u>7,655</u>	
Total current liabilities	<u>36,680</u>	<u>18,313</u>	<u>54,993</u>	<u>-</u>
Current liabilities payable from restricted assets:				
DWRf loan payable	16,667		16,667	
Accrued interest payable	<u>8,807</u>		<u>8,807</u>	
Total current liabilities payable from re- stricted assets	<u>25,474</u>	<u>-</u>	<u>25,474</u>	<u>-</u>
Noncurrent liabilities:				
DWRf loan payable	749,383		749,383	
Accrued sick pay	<u>12,842</u>	<u>5,620</u>	<u>18,462</u>	
Total noncurrent liabilities	<u>762,225</u>	<u>5,620</u>	<u>767,845</u>	<u>-</u>
Total liabilities	<u>824,379</u>	<u>23,933</u>	<u>848,312</u>	<u>-</u>
Net assets:				
Invested in capital assets, net of related debt	375,118	1,120,862	1,495,980	
Unrestricted	<u>279,834</u>	<u>125,865</u>	<u>405,699</u>	<u>63,938</u>
Total net assets	<u>\$ 654,952</u>	<u>\$ 1,246,727</u>	<u>\$ 1,901,679</u>	<u>\$ 63,938</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

For the Year Ended February 29, 2008

	Business-Type Activity Enterprise Fund			Internal Service Fund
	Water Fund	Sewer Fund	Totals (Memorandum Only)	Equipment Replacement Fund
Operating revenues:				
Water charges	\$ 215,435	\$	\$ 215,435	\$
Sewer usage charges		166,250	166,250	
Other	<u>3,652</u>	<u>3,694</u>	<u>7,346</u>	
Total operating revenues	<u>219,087</u>	<u>169,944</u>	<u>389,031</u>	<u>-</u>
Operating expenses:				
Wages	78,087	54,534	132,621	
Employee benefits	27,806	20,440	48,246	
Operating supplies	25,447	16,857	42,304	
Contracted services	10,304	1,039	11,343	
Communication	2,423	1,601	4,024	
Utilities	15,831	30,508	46,339	
Repairs and maintenance	11,200	6,139	17,339	
Miscellaneous	1,052		1,052	
Depreciation	27,542	5,258	32,800	
Ground water exploration	<u>682</u>		<u>682</u>	
Total operating expenses	<u>200,374</u>	<u>136,376</u>	<u>336,750</u>	
Operating income (loss)	<u>18,713</u>	<u>33,568</u>	<u>52,281</u>	
Nonoperating revenues (expense):				
Interest income	8,960	2,975	11,935	1,843
Interest expense	<u>(20,151)</u>		<u>(20,151)</u>	
Total nonoperating revenues (expense)	<u>(11,191)</u>	<u>2,975</u>	<u>(8,216)</u>	<u>1,843</u>
Net income (loss) before transfers	7,522	36,543	44,065	1,843
Transfers in	6,000		6,000	21,000
Transfers out	<u>(7,000)</u>	<u>(7,000)</u>	<u>(14,000)</u>	
Change in net assets	6,522	29,543	36,065	22,843
Total net assets – beginning of year	<u>648,430</u>	<u>1,217,184</u>	<u>1,865,614</u>	<u>41,095</u>
Total net assets – end of year	<u>\$ 654,952</u>	<u>\$ 1,246,727</u>	<u>\$ 1,901,679</u>	<u>\$ 63,938</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended February 29, 2008

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Business-Type Activity Enterprise Fund			Internal Service Fund
	Water Fund	Sewer Fund	Totals (Memorandum Only)	Equipment Replacement Fund
Cash flows from operating activities				
Cash received from customers	\$ 207,679	\$ 159,793	\$ 367,472	\$
Cash paid to suppliers and employees	<u>(162,739)</u>	<u>(126,077)</u>	<u>(288,816)</u>	
Net cash provided by (used in) operating activities	<u>44,940</u>	<u>33,716</u>	<u>78,656</u>	
Cash flows from capital and related financing activities:				
DWRF loan payments	(40,000)		(40,000)	
Property assets purchased	<u>(8,668)</u>		<u>(8,668)</u>	
Net cash provided by (used in) capital and related financing activities	<u>(48,668)</u>	<u>-</u>	<u>(48,668)</u>	<u>-</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	(7,000)	(7,000)	(14,000)	
Transfers from other funds	<u>6,000</u>		<u>6,000</u>	<u>21,000</u>
Net cash provided by (used in) noncapital financing activities	<u>(1,000)</u>	<u>(7,000)</u>	<u>(8,000)</u>	<u>21,000</u>
Cash flows from investing activities:				
Interest paid	(20,151)		(21,151)	
Interest income	<u>8,960</u>	<u>2,975</u>	<u>11,935</u>	<u>1,843</u>
Net cash provided by (used in) investing activities	<u>(11,191)</u>	<u>2,975</u>	<u>(8,216)</u>	<u>1,843</u>
Net increase (decrease) in cash and cash equivalents	(15,919)	29,691	13,772	22,843
Cash and cash equivalents – beginning of year	<u>296,413</u>	<u>75,291</u>	<u>371,704</u>	<u>41,095</u>
Cash and cash equivalent – end of year	<u>\$ 280,494</u>	<u>\$ 104,982</u>	<u>\$ 385,476</u>	<u>\$ 63,938</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For Fiscal Year Ended February 29, 2008

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED BY (USED IN) OPERATING ACTIVITIES**

	Business-Type Activity Enterprise Fund			Internal Service Fund
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals (Memorandum Only)</u>	<u>Equipment Replacement Fund</u>
Operating income (loss)	\$ 18,713	\$ 33,568	\$ 52,281	\$
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	27,542	5,258	32,800	
(Increase) decrease in:				
Accounts receivable	(11,408)	(10,151)	(21,559)	
Prepaid expenses	(177)		(177)	
Increase (decrease) in:				
Accounts payable and other liabilities	6,159	5,307	11,466	
Due to other funds	<u>4,111</u>	<u>(266)</u>	<u>3,845</u>	<u> </u>
Net cash provided by (used in) operating activities	<u>\$ 44,940</u>	<u>\$ 33,716</u>	<u>\$ 78,656</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS

February 29, 2008

	<u>Tax Collection</u>	<u>T & A Payroll</u>
ASSETS:		
Cash	\$ 3	\$ 1,956
Due from other funds	<u> </u>	<u>40,047</u>
Total assets	<u><u>\$ 3</u></u>	<u><u>\$ 42,003</u></u>
 LIABILITIES:		
Due to General Fund	\$ 3	\$ 25,000
Due to State		824
Accrued wages	<u> </u>	<u>16,179</u>
Total liabilities	<u><u>\$ 3</u></u>	<u><u>\$ 42,003</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Deerfield, Michigan (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

Effective March 1, 2005, the Village of Deerfield, Michigan implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Significant changes in the statement include the following:

- ◆ A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Village’s overall financial position and results of operations has been included with the financial statements.
- ◆ Financial statements prepared using full accrual accounting for all of the Village’s activities.
- ◆ A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Village of Deerfield, Michigan has elected to implement the general provisions of the statement.

A. Reporting Entity

The Village of Deerfield is a Michigan Municipal Corporation governed by the Village Council. The accompanying financial statements present the government and entities for which the government is considered to be financially accountable.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Amounts due from other governments and services provided associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Major Street Fund* is a special revenue fund that receives State and local funding for the purpose of construction and maintenance of Village streets designated as major streets under State of Michigan Act 51 of Public Acts of 1951.

The *Local Street Fund* is a special revenue fund that receives State and local funding for the purpose of construction and maintenance of Village streets designated as local streets under State of Michigan Act 51 of Public Acts of 1951.

The government reports the following major proprietary funds:

The *Water Fund* accounts for the acquisition, operation, and maintenance of the Village's water system.

The *Sewer Fund* accounts for the acquisition, operation, and maintenance of the Village's sewer system.

Additionally, the government reports the following fund types:

The *Internal Service Fund* (Equipment Replacement Fund) is used to account for equipment acquisition.

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The *Fiduciary Funds – Trust and Agency Type Funds* are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The *Agency Fund (Tax Account)* is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities (Water and Sewer Funds), subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of utility charges between the Village's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various function concerned.

Amounts reported as *program revenues* included 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds relate to charges to customers for sales and services. Operating expenses for the funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity.

1. Cash and investments

Cash includes amounts in cash on hand, demand deposits, except those deposits noted as investments (see below), as well as short-term investments with a maturity date within three months of the date acquired by the government.

Investments include a money market where the intent is to hold funds long-term.

State statutes authorize the government to invest in Obligations of the U.S. Treasury, Federal Agencies, commercial paper, corporate bonds, repurchase agreements, and State approved Investment Pools.

Investments are stated at cost or amortized cost. The Village Council will use amortized cost only when it reflects fair value of the investment. Currently, no investments are stated at amortized cost.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The Village had no advances between funds at February 29, 2008.

Personal property taxes receivable is shown net of an allowance for uncollectibles.

The Village of Deerfield's tax bills are for the period from July 1 to June 30. The taxes are based on the assessed valuations as of December 31 of the preceding year. Taxes collected for the period from July 1, 2006 to June 30, 2008 based on assessments as of December 31, 2007 are recorded as revenues in the Village's fiscal year ended February 29, 2008.

Since the County through revolving funds obtains the delinquent real property taxes for the Village, the sixty (60) day rule does not apply to such delinquent taxes receivable.

The Village had a general tax millage 9 mills for 2007. The Village's maximum allowable millage is 12.5 mills. Total taxable value of Village property was \$19,454,237. Also, one mill is levied for streets

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Land improvements	20
Buildings	75
Equipment, furniture and fixtures	20
Utility systems	5 – 100
Infrastructure	20 – 50

4. Compensated absences

The total (current and long-term portions) are shown in the Proprietary Funds and in the government-wide statements.

5. Long-term obligations

In the governmental-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The accounting basis used by the Village for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Village follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. All funds of the Village have a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed.

B. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Village for these budgetary funds were adopted to the function/activity level.

During the year ended February 29, 2008, the Village incurred expenditures in the Governmental Funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
General Government:			
Legislation	\$ 10,801	\$ 10,820	\$ 19
Attorney	3,000	4,875	1,875
Treasurer	3,445	5,620	2,175
Culture and Recreation:			
Community service	2,100	3,100	1,000
Recreation – parks	6,312	14,535	8,223
Major Street:			
Routine maintenance	24,773	33,326	8,553
Winter maintenance	7,446	10,490	3,044
Local Street:			
Winter maintenance	8,084	8,502	418

These additional expenditures were funded by greater than anticipated revenues.

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Primary Government

Deposits. At year end, the carrying value of the Village's deposits was \$871,474 and the bank balance was \$862,873. The total bank balance is classified in the following three categories of credit risk: (1) Insured or collateralized with securities held by the Village or by its agent in the Village's name. (2) Collateralized with securities held by a pledging financial institution's trust department or agent in the Village's name. (3) Uncollateralized. (This includes any bank balance that is collateralized with securities held by a pledging financial institution or by its trust department or agent but not in the Village's name.)

Due to higher cash flows during certain times of the year, especially when property taxes are being collected, deposits of the Village increase significantly. As a result, the amounts classified in category 3 at those times of year were substantially higher than at year end.

	<u>CATEGORIES</u>			<u>Total</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
United Bank & Trust Accounts	\$ 100,000	\$ -	\$ 771,474	\$ 871,474

The Village is not subject to interest rate risk because all deposits are in checking or savings accounts. The Village is subject to custodial credit risk and concentration of credit risk due to the fact that all deposits are at one bank and they are not fully covered by insurance.

Investments

Investments of the Village consisted of the following at February 29, 2008:

<u>Fund</u>	<u>Type</u>	<u>Cost</u>	<u>Market Value</u>
General	Putnam Money Market Fund – C-1-B	\$ 723	\$ 723

B. Receivables

Receivables as of year end for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Receivables:						
Taxes	\$ 16,849	\$	\$ 1,593	\$	\$	\$ 18,442
Accounts				51,141	42,696	93,837
Intergovernmental		8,618				8,618
Net total receivables	\$ 16,849	\$ 8,618	\$ 1,593	\$ 51,141	\$ 42,696	\$ 120,897

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital asset activity for the year ended February 29, 2008 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 24,625	\$ -	\$ -	\$ 24,625
Total capital assets, not being depreciated	<u>24,625</u>	<u>-</u>	<u>-</u>	<u>24,625</u>
Capital assets, being depreciated:				
Land improvements	37,603			37,603
Buildings	229,889			229,889
Equipment, furniture and fixtures	163,347			163,347
Vehicles	146,631			146,631
Infrastructure	<u>2,058,304</u>			<u>2,058,304</u>
Total capital assets, being depreciated	<u>2,635,774</u>	<u>-</u>	<u>-</u>	<u>2,635,774</u>
Less: Accumulated depreciation for:				
Land improvements	22,562	1,880		24,442
Buildings	82,760	3,065		85,825
Equipment, furniture and fixtures	98,008	8,167		106,175
Vehicles	70,292	9,775		80,067
Infrastructure	<u>1,166,483</u>	<u>41,166</u>		<u>1,207,649</u>
Total accumulated depreciation	<u>1,440,105</u>	<u>64,053</u>	<u>-</u>	<u>1,504,158</u>
Total capital assets, being depreciated, net	<u>1,195,664</u>	<u>(64,053)</u>	<u>-</u>	<u>1,131,616</u>
Governmental activities, capital assets – net	<u>\$ 1,220,294</u>	<u>\$ (64,053)</u>	<u>\$ -</u>	<u>\$ 1,156,241</u>

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated – land	\$ 16,871	\$ -	\$ -	\$ 16,871
Capital assets, being depreciated:				
Water system	1,933,185	15,400		1,948,585
Sewer system	<u>1,729,486</u>			<u>1,729,486</u>
Total capital assets, being depreciated	<u>3,662,671</u>	<u>15,400</u>	<u>-</u>	<u>3,678,071</u>
Less: Accumulated depreciation for:				
Water system	779,875	27,542		807,417
Sewer system	<u>620,237</u>	<u>5,258</u>		<u>625,495</u>
Total accumulated depreciation	<u>1,400,112</u>	<u>32,800</u>	<u>-</u>	<u>1,432,912</u>
Total capital assets, being depreciated – net	<u>\$ 2,262,559</u>	<u>\$ (17,400)</u>	<u>\$ -</u>	<u>\$ 2,245,159</u>
Business-type activities - capital assets – net	<u>\$ 2,279,430</u>	<u>\$ (17,400)</u>	<u>\$ -</u>	<u>\$ 2,262,030</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 4,493
Public safety	-
Culture and recreation	8,257
Highways and streets	<u>51,303</u>
Total depreciation expense – governmental activities	<u>\$ 64,053</u>
Business-type activities:	
Water system	\$ 27,542
Sewer system	<u>5,258</u>
Total depreciation expense – business-type activities	<u>\$ 32,800</u>

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund receivables, payables, and transfers

Primary Government

Due to/from other funds:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 46,588	Major Street	\$ 14,133
		Local Street	7,455
		Payroll T & A	25,000
	<u>46,588</u>		<u>46,588</u>
Payroll T & A	40,047	General	10,706
		Major Street	2,197
		Local Street	1,362
		Sewer	8,273
		Water	17,509
	<u>40,047</u>		<u>40,047</u>
	<u>\$ 86,635</u>		<u>\$ 86,635</u>

The reason for these due to's and due from's is reimbursement to the General Fund for expenses incurred related to a specific fund.

Interfund transfers:

<u>Transfers out:</u>	<u>Water</u>	<u>Equipment Replacement</u>	<u>Total</u>
General	\$ 6,000	\$ 7,000	\$ 13,000
Water		7,000	7,000
Sewer		7,000	7,000
	<u>\$ 6,000</u>	<u>\$ 21,000</u>	<u>\$ 27,000</u>

The \$21,000 in transfers is to fund equipment purchases.

The \$6,000 transfer was for Water Fund operations.

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 4. RETIREMENT PLAN

A. PLAN DESCRIPTION

The Village contributes to the Michigan Municipal Employees' Retirement System (MERS), an agent multi-employer defined benefit pension plan, which provides retirement benefits to all full-time employees of the Village. MERS is administered by its Board of Trustees. The actuary for the System is the Segal Company. The Municipal Employees' Retirement Act of 1984, as amended by 1996 Public Act 220 of the State of Michigan, assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; for the Village of Deerfield, that authority rests with the Village. The Municipal Employees' Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to Municipal Employees Retirement System of Michigan, 447 North Canal Road, Lansing, Michigan 48917.

B. FUNDING POLICY

The Village is required to contribute the amounts necessary to fund the plan, using an actuarial basis resulting in a level contribution method as required by State statute.

ANNUAL PENSION COST

For the year ended February 29, 2008, the Village's annual pension cost was zero. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included –

- [a] 8.0% investment rate of return,
- [b] projected salary increases of 4.5% per year compounded annually,
- [c] the assumption that benefits will increase 2.5% per year (annually) after retirement.

The actuarial value of MERS' assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a five year period.

Currently, there is an unfunded actuarial accrued liability of \$80,897.

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 4. RETIREMENT PLAN (Continued)

Actuarial Accrued Liability (as of 12/31/06)

Retirees and beneficiaries currently receiving benefits	\$ 412,027
Terminated employees not yet receiving benefits	-
Current employees—	
Accumulated employee contributions including allocated investment income	52,165
Employer financed	<u>574,281</u>
Total Actuarial Accrued Liability	<u>1,038,473</u>
Net Assets Available for Benefits at Actuarial Value	<u>957,576</u>
(Market Value is \$970,972)	
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ 80,897</u>

THREE YEAR TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
February 29, 2005	\$ 10,936	100%	0
February 28, 2006	13,412	100%	0
February 29, 2008	16,956	100%	0

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) Entry Age [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/01	\$ 864,685	\$ 819,261	\$ (45,424)	106%	\$ 149,926	-
12/31/02	843,467	851,051	7,584	99%	186,623	4%
12/31/03	861,109	896,735	35,626	96%	203,516	17.5%
12/31/04	885,108	943,959	58,851	94%	210,480	28%
12/31/05	910,624	981,754	71,130	93%	194,047	37%
12/31/06	957,576	1,038,473	80,897	92%	224,179	36%

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 5. LONG-TERM DEBT

The Village is replacing approximately 5,000 linear feet of water main and constructing a new 200,000 gallon elevated water storage tank. The total cost was \$916,050 which is funded by a bond issue.

The bonds are revenue bonds to be paid from Water Fund revenues. The bond issue is the Village of Deerfield Water Supply System Revenue Bonds, Series 2003, for \$925,000 with an interest rate of 2.5%.

This bond issue was purchased by the Michigan Municipal Bond Authority under the Drinking Water Revolving Fund. Under the purchase contract, the Village will receive the principal proceeds as loan draw-downs as the construction costs are incurred. At February 29, 2008 the loan/bond balance outstanding was \$766,050.

Projected debt payments are as follows:

**\$925,000
VILLAGE OF DEERFIELD
COUNTY OF LENA WEE, STATE OF MICHIGAN
WATER SUPPLY SYSTEM REVENUE BONDS
SERIES 2003**

<u>Payment Date*</u>	<u>Principal Due</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Total Payment</u>	<u>Fiscal Year Total</u>
4/1/2008	\$		\$ 9,687.50	\$ 9,687.50	
10/1/2008	40,000.00	2.500%	9,687.50	49,687.50	59,375.00
4/1/2009			9,187.50	9,187.50	
10/1/2009	40,000.00	2.500%	9,187.50	49,187.50	58,375.00
4/1/2010			8,687.50	8,687.50	
10/1/2010	40,000.00	2.500%	8,687.50	48,687.50	57,375.00
4/1/2011			8,187.50	8,187.50	
10/1/2011	45,000.00	2.500%	8,187.50	53,187.50	61,375.00
4/1/2012			7,625.00	7,625.00	
10/1/2012	45,000.00	2.500%	7,625.00	52,625.00	60,250.00
4/1/2013			7,062.50	7,062.50	
10/1/2013	45,000.00	2.500%	7,062.50	52,062.50	59,125.00
4/1/2014			6,500.00	6,500.00	
10/1/2014	45,000.00	2.500%	6,500.00	51,500.00	58,000.00
4/1/2015			5,937.50	5,937.50	
10/1/2015	45,000.00	2.500%	5,937.50	50,937.50	56,875.00
4/1/2016			5,375.00	5,375.00	
10/1/2016	50,000.00	2.500%	5,375.00	55,375.00	60,750.00
4/1/2017			4,750.00	4,750.00	
10/1/2017	50,000.00	2.500%	4,750.00	54,750.00	59,500.00
4/1/2018			4,125.00	4,125.00	
10/1/2018	50,000.00	2.500%	4,125.00	54,125.00	58,250.00
4/1/2019			3,500.00	3,500.00	
10/1/2019	55,000.00	2.500%	3,500.00	58,500.00	62,000.00
4/1/2020			2,812.50	2,812.50	
10/1/2020	55,000.00	2.500%	2,812.50	57,812.50	60,625.00
4/1/2021			2,125.00	2,125.00	
10/1/2021	55,000.00	2.500%	2,125.00	57,125.00	59,250.00
4/1/2022			1,437.50	1,437.50	
10/1/2022	55,000.00	2.500%	1,437.50	56,437.50	57,875.00
4/1/2023			750.00	750.00	
10/1/2023	51,050.00	2.500%	750.00	51,800.00	52,550.00
4/1/2024			0.00	0.00	
	<u>\$ 766,050.00</u>		<u>\$ 175,500.00</u>	<u>\$ 941,550.00</u>	<u>\$ 941,550.00</u>

*Note: The payment is due to the State 5 days prior.

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 5. LONG-TERM DEBT (Continued)

Schedule of Changes in Long-Term Debt:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
DWRF loan	\$ 806,050	\$	\$ 40,000	\$ 766,050	\$ 40,000
Accrued sick pay	<u>31,910</u>	<u>2,297</u>	<u> </u>	<u>34,207</u>	<u>7,655</u>
	<u>\$ 837,960</u>	<u>\$ 2,297</u>	<u>\$ 40,000</u>	<u>\$ 800,257</u>	<u>\$ 47,655</u>

June 23, 2008

Village Council
Village of Deerfield
Deerfield, Michigan

We appreciate the opportunity to conduct your audit this year. We are writing to you as we complete the audit to communicate any control deficiencies we identified during the audit and whether these deficiencies (if any) are determined to be significant deficiencies or material weaknesses.

In planning and performing our audit of the financial statements of the Village of Deerfield, Michigan, for period ending February 29, 2008, we applied generally accepted auditing standards (GAAS) as we considered your internal control over financial reporting as a basis for designing our auditing procedures. We did this for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of your internal controls. Accordingly, as a part of your audit, we are not expressing an opinion on the effectiveness of your internal control.

Our consideration of internal control was for the limited purpose of conducting your organization's audit and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. It is important to note that control deficiencies are not necessarily problems you will choose to address, however, they do represent potential risks. Our job as your auditors is to ensure that you understand where you have these deficiencies or weaknesses so that you can make informed business decisions on how best to respond to these risks.

Significant Deficiencies

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects your entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of your financial statements that is more than inconsequential will not be prevented or detected by your internal control. During our audit we found one significant deficiency in internal control.

Materials Weaknesses

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by your internal control. During our audit we found no material weaknesses.

Finding considered a significant deficiency

Criteria:

Effective for the year ended February 29, 2008, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Page 2

Village Council
Village of Deerfield
Deerfield, Michigan

Condition

Currently, the Village staff prepares the interim financial reports and assists the external auditor in the preparation of the annual audit report.

Cause

The staff of the Village does understand all information included in the annual financial statements; however, assistance of the external auditor was utilized in preparing the footnotes to the financial statements.

Effect

Utilization of the external auditor in preparing the footnotes to the financial statements assists management with the external financial reporting responsibility, to ensure their financial statements are accurate.

Recommendation

At this time, we recommend no changes to this situation and communicate this as required by professional standards. The current process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

Client Response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

Robertson, Eaton & Owen P.C.
June 23, 2008